

TOD and Joint Development: A Developer's Perspective on Success

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Is it a Good Investment?



- Public capital finances transit; private capital finances TOD.
- Most development money is institutional
- The project *must* show profit
- Risk-return trade-off
- Would *you* invest ??

Development Economics

Project Value – Project Cost = Project Profit

Project Value: Lease Income x “Risk Multiple”

Project Cost: Hard costs (construction) +
Soft costs (design, financing, OH) +
Land cost

Development Economics

Project Yield =

Project Profit / Cash investment

Key to profitable development: OPM

TOD yields: 12-16 %

Developers See Projects in 3 Phases:

1. Predevelopment
2. Development
3. Stabilization

Predevelopment Stage: Developer Cash/Equity

- Match site and use
 - (market studies, traffic studies, brokers)
- Get control of land
 - (lawyers, brokers)
- Get commitment from user/spec
 - (lawyers, brokers, designers)
- Get entitlements/zoning
 - (designers, engineers, lobbyists, attorneys, PR)
- Due diligence/Buy ground
 - (attorneys, engineers)
- Secure financing
 - (financial analysts, attorneys, loan fees)

Development Stage: Debt Financing

- Design Project
 - (architects,engineers)
- Obtain Site Review approval from City
 - (architects, engineers, lobbyists)
- Construct Project
 - (contractors, architects, engineers)
- Market project
 - (advertising, PR, philanthropy)
- Lease project
 - (brokers, attorneys)

Stabilization Stage: Payback

- Manage the project
 - (property managers, attorneys, operating expenses)
- Repay debt
- Sell project
 - (attorneys, brokers)
- Realize profit!!

Project Complexity

- Single tenant, single use, private
- Multi-tenant, single use private
- Multi-tenant, multi-use private
- Multi-tenant, multi-use, public-private financing
- Multi-tenant, multi-use, public-private financing, public landowner and/or tenant

Single Tenant, Single Use, Private Building



- Single family residence
- Single user industrial
- Single user office
- Lowest complexity
- 9 months-2 years

Multi-Tenant, Single Use, Private



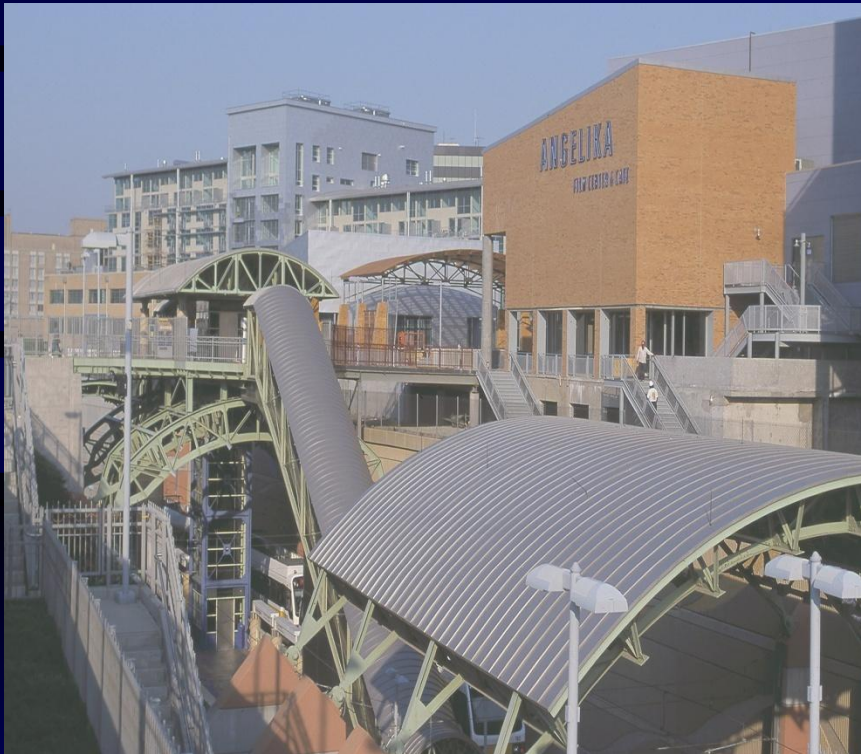
- Apartment building
- Office building
- More tenants to secure—more complex
- 2-3 years

Multi-Tenant, Multi-Use, Private



- First floor retail with residential/office above
- Different types of leasing, different types of construction, atypical zoning
- 2-5 years

Multi-Tenant, Multi-Use, Public-Private Financing



- Office/residential over retail
- Public benefit such as affordable housing, historic preservation, TOD
- Public process, special requirements for “fair return” on public monies
- 3-5 years

Multi-Tenant, Multi-Use, Public-Private Financing, Public Landowner and/or Tenant



- Air rights development such as residential/office over civic use such as transit, city facilities, library, etc.
- More public design, security, leasing complexities
- 3-7+ years

A Developer's Successful TOD

- Land assembled
- Predictable process
- Public investment for the regional amenities
- Knowledgeable, sophisticated public partners
- Yield of 12-16% by year 4



TOD Viability: The Acid Test



- Market
- Land
- Leadership

LET'S GO !!



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